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TO: HMO Executives

FROM: Joy Higa
Deputy Director for Plan and Provider Relations
Andy Meyers
Deputy Director for the Office of Health Plan Oversight

DATE: August 5, 2002

RE: Department Improvement Initiative

This is to let you know that the Department of Managed Health Care is restructuring the way that HMO filings historically have been reviewed and approved. In order to ensure consistency of Department review and expedite the review process, certain HMO filings will be evaluated by representatives from outside the Licensing division, based on subject matter expertise.

For the last two years, the Department has worked to improve our business operations and enhance information exchange and access. We implemented an e-filing system to eliminate burdensome paperwork, streamline the submission of filings and make HMO information more readily accessible. Over 65 percent of our licensed HMOs are certified to submit filings electronically and we anticipate 100 percent certification by October 31, 2002. Following these technology changes, our next priority is to more effectively evaluate HMO operational changes by having the review conducted by Department staff with the most appropriate expertise.

The first steps in this restructuring, outlined below, took effect on July 1, 2002:

- HMO grievance policies and process (Exhibit W): Counsel in the HMO Help Center will review all changes to HMO grievance policies and procedures. Staff in the HMO Help Center currently evaluate all aspects of HMO grievance systems, including enrollee complaints, patient communications regarding the grievance process, and the independent medical review process. Transferring review and approval of HMO grievance filings to the HMO Help Center ensures consistency in Department oversight of the grievance process.

- Antifraud programs (Exhibit J): Counsel in the enforcement division will review HMO antifraud plans and annual reports on antifraud activities (due to the Department on January 1st of each year). The enforcement division coordinates with other state law enforcement agencies and can take appropriate action based on HMO reports. To assist the Department in it's internal distribution process, please continue to file the Anti-Fraud report as Exhibit J-6.

The evaluation of certain HMO filings by divisions other than licensing does not change the plan filing procedures (certified to file electronically or in hard copy form). HMOs should continue to submit filings electronically or, if in paper form, to the filing clerk, and Department staff will forward to the appropriate division. If a filing contains exhibits other than the two listed above, more than one division may concurrently review the filing. Department comment letters will advise HMO representatives who to contact if there are any questions. In order to further improve the review process, the Department plans to employ a case manager to monitor activity on HMO filings and provide assistance.

The Department continues to review the HMO licensing and filing process and identify other areas that may be best evaluated by other divisions, based on subject matter. We will keep you apprised as changes are considered and implemented.

If you have any comments or questions regarding these changes, please contact Suzanne Chammout, Chief, Sacramento Licensing Branch at (916) 323-2472. We look forward to continuing to work with you to improve California's managed health care system.